

FDIC State Profile

Winter 2005

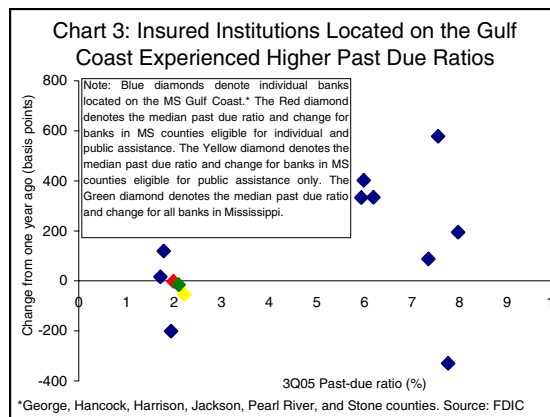
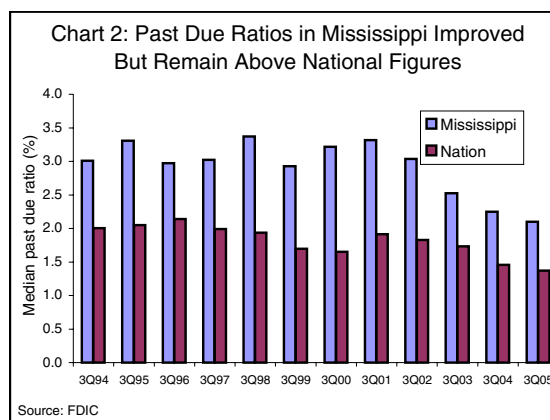
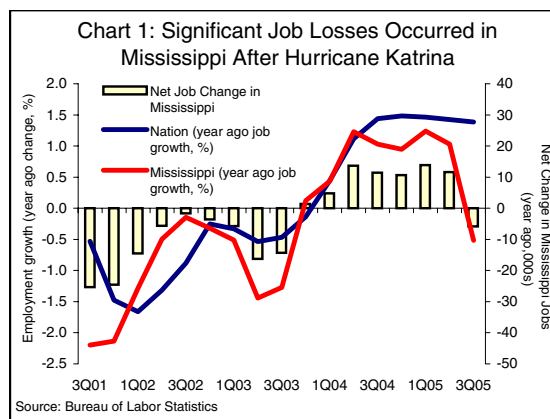
Mississippi

Employment levels in Mississippi dropped dramatically after Katrina.

- The aftermath of hurricane Katrina resulted in a dramatic drop in employment with the loss of nearly 49,000 jobs in the state between August and September,¹ twice the previous record monthly decline (see Chart 1). On a positive note, employment levels rebounded by nearly 10,000 jobs between September and October, and significant numbers of additional jobs are expected as efforts shift from debris removal to reconstruction in 2006.
- The **Jackson** and **Hattiesburg** MSAs reported job losses between August and September, but not on the scale recorded by the Gulf Coast metropolitan areas of **Gulfport-Biloxi** and **Pascagoula**. Gulfport-Biloxi and Pascagoula reported a combined loss of almost 35,000 jobs or 72 percent of the total decline for the state. All metro areas reported employment levels beginning to rise in October except for heavily damaged Gulfport-Biloxi.

Overall credit quality has improved, but deterioration is noted among insured institutions in areas hardest hit by hurricane Katrina.

- Historically, insured institutions headquartered in Mississippi have reported some of the highest median past-due loan ratios in the country. The third quarter figure, although improved from year-ago levels, is no exception at 2.10, second highest in the nation (see Chart 2).²
- In contrast to the favorable trend on the state level, institutions based in the six counties along and north of the Gulf Coast reported an increase in past-due loan levels.³ The median past-due ratio among these institutions jumped 336 basis points from one year ago to 6.1 percent in third quarter 2005, with nearly all insured institutions reporting a past-due ratio of greater than 5 percent (see Chart 3).



¹Job comparisons are based on Bureau of Labor Statistics payroll data from January 1940 forward.

²Insured institutions also reported some of the highest Tier 1 capital to assets ratios in the nation.

³George, Hancock, Harrison, Jackson, Pearl River, and Stone counties.

Mississippi Banking and Consumer Finance Commissioner John Allison discusses the state's banking industry after Katrina.

- *FDIC Regional Manager Gary Beasley interviewed Mississippi Department of Banking and Consumer Finance Commissioner John S. Allison about the effects of hurricane Katrina on the state's insured institutions. Highlights of this interview follow.*
- **Mr. Beasley: What significant hurdles caused by Katrina have banks been able to overcome?**
Commissioner Allison: "Foremost was overcoming the initial shock of the massive destruction and reopening to meet the critical cash needs of customers. All the banks had contingency plans and had periodically run disaster drills, but this destruction was on an unprecedented scale. All banks in the devastated area are now operating, although some are utilizing alternative facilities and a few branches remain closed."
- **Mr. Beasley: What unique or innovative responses are helping banks and their customers?**
Commissioner Allison: "The focus has been on caring for customers, and some of the unique responses include branch sharing; extended operating hours; and, in one instance, conversion of a loan production office to a traditional branch. Regulatory flexibility, particularly in the area of waiving standard periods for official notice, aided banks. Governor Barbour's declaration on the disaster is also helping customers by granting relief from prepayment penalties and what is described as "inequitable mortgage foreclosure. Details on the various forms of relief and other hurricane related information are available on the Department's web site at <http://www.dbcf.state.ms.us/>."
- **Mr. Beasley: What is your assessment of the overall condition of the banking industry in Mississippi post Katrina? What key challenges remain?**
Commissioner Allison: "Statewide, the banking industry is tracking the nation; conditions are good, and the few existing problems are manageable. The disaster will result in some losses for banks operating on the Coast, but those aren't likely to begin surfacing until first quarter 2006 at the earliest; however, some banks have already taken steps to bolster loan loss reserves based on preliminary estimates."
- **Commissioner Allison:** "One big challenge facing banks operating on the Coast is how to manage the temporary surge in liquidity resulting from receipt of FEMA, Red Cross, and private insurance company funds until such time as construction loan demand provides a natural outlet – estimated to be six to eight months from now."
- **Commissioner Allison:** "For coastal communities the challenge involves returning to normal routines. Of course, debris removal must be completed and homes and

business rebuilt, but beyond that a return to normal will be difficult for some industries because their production cycles are so lengthy, for example, poultry, shrimp, oysters, and timber."

- **Mr. Beasley: What opportunities may emerge for local banks as recovery efforts move forward?**
Commissioner Allison: "Governor Barbour has said that the Coast is a 'clean slate' that will be rebuilt better than it was. Banks will be significant participants in the rebuilding through their own construction and repair work and through the support they will provide to customers by way of construction and other lending."

Mississippi at a Glance

ECONOMIC INDICATORS (Change from year ago, unless noted)

Employment Growth Rates	Q3-05	Q2-05	Q3-04	2004	2004
Total Nonfarm (share of trailing four quarter employment in parentheses)	-0.5%	1.0%	1.0%	0.9%	-0.8%
Manufacturing (16%)	-1.3%	-0.3%	1.2%	0.2%	-4.8%
Other (non-manufacturing) Goods-Producing (5%)	0.8%	1.3%	-0.7%	-2.2%	-5.5%
Private Service-Producing (57%)	-1.0%	1.5%	1.4%	1.5%	0.5%
Government (22%)	1.0%	0.8%	0.3%	0.7%	0.3%
Unemployment Rate (% of labor force)	7.9	7.0	6.5	6.2	6.4
Other Indicators	Q3-05	Q2-05	Q3-04	2004	2004
Personal Income	N/A	6.3%	6.2%	6.2%	4.3%
Single-Family Home Permits	-5.1%	3.0%	-0.4%	6.5%	17.0%
Multifamily Building Permits	-12.6%	81.9%	53.4%	58.0%	12.1%
Existing Home Sales	-7.2%	7.4%	2.3%	12.8%	7.3%
Home Price Index	5.7%	5.9%	4.4%	4.1%	3.4%
Nonbusiness Bankruptcy Filings per 1000 people (quarterly annualized level)	7.78	7.85	7.82	7.29	8.21

BANKING TRENDS

General Information	Q3-05	Q2-05	Q3-04	2004	2004
Institutions (#)	100	100	102	102	103
Total Assets (in millions)	45,519	43,964	41,821	42,050	40,055
New Institutions (# < 3 years)	0	0	1	1	1
Subchapter S Institutions	20	20	20	20	16
Asset Quality	Q3-05	Q2-05	Q3-04	2004	2004
Past-Due and Nonaccrual Loans / Total Loans (median %)	2.10	2.30	2.25	2.38	2.79
ALLL/Total Loans (median %)	1.43	1.48	1.50	1.49	1.52
ALLL/Noncurrent Loans (median multiple)	2.11	2.39	2.17	2.26	1.85
Net Loan Losses / Total Loans (median %)	0.17	0.10	0.19	0.22	0.28
Capital / Earnings	Q3-05	Q2-05	Q3-04	2004	2004
Tier 1 Leverage (median %)	10.05	9.92	10.20	9.83	9.81
Return on Assets (median %)	1.15	1.20	1.18	1.11	1.06
Pretax Return on Assets (median %)	1.52	1.59	1.59	1.50	1.50
Net Interest Margin (median %)	4.18	4.16	4.19	4.18	4.18
Yield on Earning Assets (median %)	6.28	5.97	5.80	5.73	5.98
Cost of Funding Earning Assets (median %)	2.06	1.84	1.56	1.57	1.80
Provisions to Avg. Assets (median %)	0.13	0.11	0.13	0.17	0.21
Noninterest Income to Avg. Assets (median %)	0.88	0.92	0.95	0.98	0.87
Overhead to Avg. Assets (median %)	3.15	3.13	3.12	3.20	3.14
Liquidity / Sensitivity	Q3-05	Q2-05	Q3-04	2004	2004
Loans to Assets (median %)	61.9	62.6	62.7	62.1	61.4
Noncore Funding to Assets (median %)	23.3	23.8	22.3	21.7	20.9
Long-term Assets to Assets (median %, call filers)	10.0	10.6	13.2	12.2	14.2
Brokered Deposits (number of institutions)	21	17	15	17	14
Brokered Deposits to Assets (median % for those above)	1.8	1.3	2.4	2.2	1.5
Loan Concentrations (median % of Tier 1 Capital)	Q3-05	Q2-05	Q3-04	2004	2004
Commercial and Industrial	81.9	75.6	73.6	72.5	73.0
Commercial Real Estate	194.4	179.0	162.1	182.9	155.7
Construction & Development	27.0	26.8	21.1	22.1	18.3
Multifamily Residential Real Estate	2.6	2.1	2.2	2.2	2.2
Nonresidential Real Estate	130.8	130.7	116.5	130.4	110.1
Residential Real Estate	175.4	176.9	185.0	185.1	174.7
Consumer	67.4	68.5	71.0	71.6	80.2
Agriculture	36.4	32.7	32.9	33.7	27.2

BANKING PROFILE

Largest Deposit Markets	Institutions in Market	Deposits (\$ millions)	Asset Distribution	Institutions
Memphis, TN-MS-AR	52	26,946	< \$250 million	73 (73%)
Jackson, MS	24	7,492	\$250 million to \$1 billion	20 (20%)
Gulfport-Biloxi, MS	12	2,894	\$1 billion to \$10 billion	6 (6%)
Hattiesburg, MS	15	1,745	> \$10 billion	1 (1%)
Pascagoula, MS	12	1,395		